
LAGUNA BEACH COMMUNITY FOUNDATION

PROFESSIONAL COUNCIL

Charitably minded professionals, including attorneys, CPAs, financial advisors, insurance advisors, real estate and other professionals who live, work, or serve Laguna Beach clients.

TOOLKIT

Laguna Beach Community Foundation
303 Broadway, Suite 212, Laguna Beach, CA 92651
Telephone: 949-715-8223
Email: info@lagunabeachcf.org
www.lagunabeachcf.org

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WHO IS LBCF AND ITS PROFESSIONAL COUNCIL

The Laguna Beach Community Foundation (LBCF) is a 501(c)3 public charity that strengthens our community by encouraging philanthropy. We provide expertise and resources to assist local charities, connect donor passions with nonprofit needs, and collaborate with local professional advisors in assisting their clients in giving now through a variety of funds and beyond their lifetimes with a legacy gift.

The LBCF Professional Council is a group of charitably minded professionals, including attorneys, CPAs, financial advisors, insurance advisors, real estate, and other professionals, who live or work in Laguna Beach, or who serve Laguna Beach clients. Throughout the year the Professional Council holds a number of social and educational events, and events that spotlight nonprofits based in or serving the community of Laguna Beach, with the goal of broadening connections that help serve their clients' charitable needs and enhancing philanthropy in the greater Laguna Beach area.

WORKING WITH LBCF

Participating in our Professional Council creates a distinct advantage for you and your clients by creating a significant and positive impact for your client and their charitable causes. If you work with philanthropic individuals, families or companies, the LBCF Professional Council can be a resource to you by:

- Connecting you with other charitably minded advisors who can assist you in better serving your clients.
- Collaborating on structuring tax-saving charitable options to make the most of your clients' emotional, civic and financial charitable giving while at the same time benefiting our community. Because LBCF is a public charity your clients can receive the maximum tax deduction allowed by law and potentially avoid capital gains tax.*
- Connecting your clients with philanthropic leaders who have in-depth knowledge of charitable giving and challenging charitable transactions.
- Connecting you with nonprofit experts who provide insights and understanding into the nonprofit sector and policy issues that nonprofits address through their dedicated work.

* The Laguna Beach Community Foundation is not engaged in rendering legal, accounting or other professional service. If legal advice or other expertise is required, the services of a competent professional should be sought.

HOW TO TALK GIVING

Would you like to engage your clients on a deeper level? Having a charitable planning discussion can provide a more in-depth relationship and enhance the services you provide. While you might be reluctant to ask your clients about this highly personal subject, studies show clients want their advisors to ask them about their giving. Here are 10 things to keep in mind as you get started.

1. Do you know if your clients are charitably inclined? Starting with some simple questions can lead to larger discussion about how you can help clients maximize and simplify their giving.

Conversation Starters

- What charities do you currently support and how do you support them?
- What general causes do you care about?
- What was your most important or most satisfying charitable donation or volunteer experience?
- Do you want your family to have more involvement in your giving?

2. Are your clients holding appreciated assets, including publicly traded securities, and facing capital gains tax? Your clients avoid capital gains and receive a tax deduction by donating these securities to a charitable giving account, also known as a donor advised fund.

3. Do you have clients who want to sell a business, or do your clients have illiquid assets they want to put to charitable use? We can accept donations of complex assets, including business interests, life insurance policies and real estate, allowing your clients to receive the maximum tax deduction for their donations.

4. Are your clients hesitant to let someone else manage their assets? We allow donors to choose how assets in their charitable giving accounts are invested, by working with their own trusted financial advisors, or by choosing to invest in one or more of our investment pools.

5. Are your clients too busy to handle the administrative side of their giving? With a fund at LBCF, your clients can log in to our online donor portal anytime day or night to see statements and make grants. We will perform the due diligence to ensure grants are made to IRS-qualified public charities. We can mail checks directly to charities or to your clients.

6. Is collecting charitable tax receipts burdensome for your clients? If your clients organize all of their giving through a charitable giving account, they are spared this chore. Because we are a 501(c)3 public charity, they will receive a tax deduction for contributions to their account, so the only receipts they need to keep are ours.

7. Do your clients have children? Donors with charitable giving accounts can pass along their charitable legacies by naming future generations as successor advisors of their accounts.

8. Are your clients private about their wealth? We never share any personal information about our donors. They can also choose to make anonymous grants from their charitable giving accounts. Or, if your clients like to share their philanthropy, we can facilitate promoting their charitable giving.

9. Are your clients nearing retirement age? If they want to support causes after they retire, they can set aside money in a charitable giving account now and give to charities later.

10. Do your clients need help keeping track of their giving? Your clients will receive quarterly statements outlining their giving for the year. They can also access our online portal to see a full history of how much and how often they have given to organizations in the past.

TYPES OF FUNDS

Laguna Beach Community Foundation makes giving easy and meaningful by providing asset and investment management and oversight for a wide variety of charitable funds including, but not limited to the following:

Donor Advised Funds (DAFs): Also known as a charitable giving account, DAFs permit donors to make a charitable donation to LBCF at any time and take an immediate tax deduction. Over time, donors may recommend grants to support qualified nonprofits of their choice in Laguna Beach or elsewhere. A tax advantageous alternative to private foundations, DAFs offer similar benefits while eliminating burdensome regulatory requirements. DAFs may be named after a family, a loved one, or kept anonymous. DAF donors organize their charitable giving through one easy to establish fund. LBCF staff complete the required due diligence on charities recommended to receive grants and send the donations with a personalized cover letter. The DAF holder is informed via email when the donation is completed.

Donor Restricted Endowment Fund: A fund with an investment goal of producing income, a portion of which may be spent to support one or more qualified nonprofits. The principal amount in the endowment remains intact in perpetuity unless otherwise specified by the donor.

Field of Interest Funds: Extremely flexible funds that enable multiple gifts from many donors, at creation and thereafter, to support a broad charitable purpose addressing a particular concern, for example, art, environment, education, youth, seniors, animal welfare or the LBCF Disaster Relief Fund.

Laguna Beach Enrichment Fund: Donations to this fund are one of the most flexible and impactful ways to give and will benefit Laguna Beach for the long-term. In addition to supporting LBCF operations, these donations enable LBCF to make grants to address emerging and current problems, including the needs of vulnerable populations in Laguna Beach, and to support high priority areas in our community.

Legacy Gifts: Bequests in wills or living trusts directed to a specific LBCF Fund or to support LBCF general operations.

Nonprofit Designated Fund: Created for the benefit of a specific nonprofit, the fund is managed by LBCF with the funds to be used for the benefit of the nonprofit. (Examples: Crystal Cove Education and Environmental Charitable Fund, Glennwood House Fund and One World One Ocean Foundation Fund)

Corporate Charitable Fund: Created to manage philanthropic endeavors of corporations and for-profit businesses to use their resources to enhance the charitable sector.

COMPLEX ASSETS

Charitable giving encompasses more than just cash donations. Families and businesses can tap into the Laguna Beach Community Foundation to quickly and easily donate hard-to-value assets, and open family or corporate funds to further their charitable goals.

Your clients may be able to attain a new level of giving they might not have considered possible through assets they already own. We specialize in accepting complex assets for charitable purposes, including**:

Real Estate

- Land
- Personal residence
- Commercial property
- Other real property

Business Interests

- Closely-held stock (S-Corp and C-Corp)
- Partnership and LLC

Personal Property

- Artwork
- Royalties, Copyrights, Patents
- Valuable collectibles

Other Assets

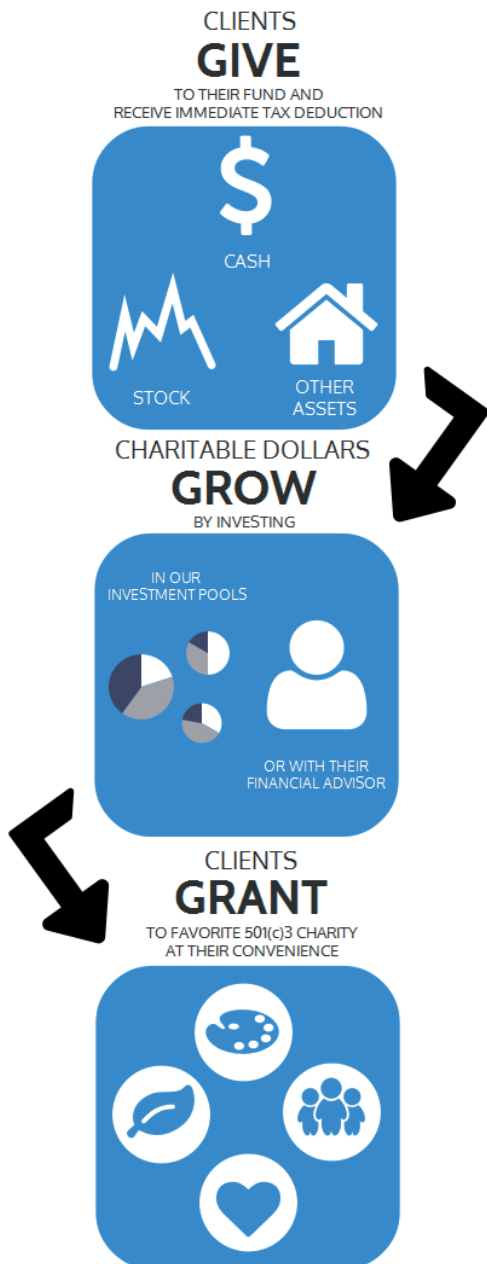
- Life insurance policies
- Retirement plans
- Negotiable instruments
- Oil and Gas interests

**This list is not intended to be all-inclusive of acceptable alternative assets. Charitable gift acceptance is dependent upon asset review and approval.

HOW A DONOR ADVISED FUND WORKS

Because of its ease of establishment, immediate tax savings, and flexibility, the Donor Advised Fund (DAF) is one of our most popular funds and is often the entry to other types of giving.

The DAF works by allowing your client to establish an account at the Laguna Beach Community Foundation that may be invested by our professional pro-bono investment team with over a combined 100 years of wealth management experience. Alternatively, funds can continue to be managed by the account holders personal wealth advisor.



“The Donor Advised Fund not only provides tax incentives and potential capital gains relief, it also gives the donors a less administratively burdensome solution to consider over a private family foundation. Laguna Beach Community Foundation takes on the role of the administrator and performs the due diligence necessary to ensure tax and reporting requirements are met. As a fund holder myself, I can say that benefits reach far beyond executing on my own personal philanthropic goals.”

**Laura Tarbox, The Tarbox Group
Laguna Beach
Community Foundation**

IS YOUR CLIENT CONSIDERING A PRIVATE FOUNDATION?

Comparison of Private Foundation vs. LBCF's Donor Advised Fund

	Private Foundation	LBCF's 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 one 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 LBCF
Confidentiality	*None – All information is publicly available via form 990- PF	Donor has flexible options: Full recognition, or partial, or full anonymity

*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.

MEMORANDUM OF CHARITABLE INTENT

Planning for a charitable gift in your trust or will doesn't have to be cast in bronze.

Laguna Beach Community Foundation can provide flexibility for your charitable interests as they change over the years through something we call a Memorandum of Charitable Intent.

How It Works

When you name the Foundation as a beneficiary of a gift in your trust or will, simply include the following language:

"This gift will be made to Laguna Beach Community Foundation, a 501(c)3 nonprofit organization (tax ID #20-6390272), to be directed as described in the Memorandum of Charitable Intent established on or prior to the date of this (e.g. Trust, Agreement, etc.), and as hereafter amended.

If you wish to name the Foundation as the beneficiary of a life insurance policy or an Individual Retirement Account, the beneficiary name would be:

"Laguna Beach Community Foundation, per Memorandum of Charitable Intent"

This allows the Foundation to meet with you to discuss your instructions for your gift and draft the Memorandum of Charitable Intent for your approval. Once approved and signed, we keep the signed Memorandum of Charitable Intent on file, periodically sending you a copy to review. If your interests change over the years, your Memorandum of Charitable Intent can be easily updated. You do not have to go back to your attorney to change the original trust and will documents.

Your Memorandum of Charitable Intent will include instructions to establish, or add funds at the Foundation according to your charitable interests. You can start a fund for a favorite organization or for a community need, such as health, the environment, or the arts. You may also direct pass-through distributions from your gift to specific nonprofits.

Bequests are subject to a 2% support fee, which helps the Foundation provide its services to our community.

EXAMPLE OF MEMORANDUM OF CHARITABLE INTENT SCENARIO

John and Jane Smith have been long time donors of Laguna Beach Community Foundation. They have asked their estate planning attorney to direct 10% of their estate to the Foundation. They estimate that this will result in a gift of about \$100,000, but of course that could change.

- In 2009 they had established an endowed fund at the Foundation for health services called the Smith Family Health Fund. The Foundation oversees grants from this fund.
- John and Jane also care about programs for children and are active volunteers with the Boys and Girls Club of Laguna Beach. The Boys and Girls Club of Laguna Beach has an endowed fund at the Foundation that benefits their organization.
- The Smiths are very impressed with the work of Doctors Without Borders.
- Jane has a life-long interest in the arts and is an excellent watercolorist.
- John's mother, Betty Smith, passed away last year from cancer. She received wonderful support during her illness from Art & Creative Healing. They wanted to honor the memory of Betty Smith with an endowed fund here in Laguna Beach where she grew up.

Let's see what their Memorandum of Charitable Intent might look like...

Memorandum of Charitable Intent Regarding Charitable Distributions from the Estate of John and Jane Smith to Laguna Beach Community Foundation

The purpose of this Memorandum of Charitable Intent is to serve as a guide to the Laguna Beach Community Foundation (Community Foundation) in carrying out the philanthropic objectives of John and Jane Smith (Donors). Donors have stated that assets directed from their estate to the Foundation, net of support fees, be used for the following charitable purposes:

- I. **Pass Through Gifts:**
 - \$5,000 to American Cancer Society, Orange County Chapter
 - \$10,000 to Doctors Without Borders
 - \$10,000 to Art & Creativity for Healing, Laguna Hills
 - \$5,000 to CASA Orange County
 - \$5,000 to Laguna College of Art and Design

In the event that an organization listed above is not in existence at the time funds are distributed, then Donors wish that organization's gift to be added to the *Smith Family Health Fund* at the Community Foundation.

After the Pass Through Gifts have been made, Donors wish the remaining balance to be allocated as follows:

- II. **Additions to Existing Community Foundation Funds:**
 - 10% to the Boys and Girls Club Laguna Beach Endowment Fund
 - 10% to the Smith Family Health Fund

- III. **New Fund(s) to be Created at the Community Foundation:**
 - 40% to create Jane's Art Fund, an endowed fund to support arts programs and projects in Laguna Beach.
 - 40% to create the Betty Smith Memorial Fund, an endowed fund for greatest needs in the community.

In the event that the allocations for new funds do not meet the Community Foundation's minimum for new funds at the time of distribution, the allocations will be added to the *Smith Family Health Fund*.

Disclosures:

Gift Acceptance: All gifts are subject to Community Foundation Gift Acceptance Policies.

Support Fee: All bequests are subject to a one-time fee to 1) assist in covering any costs related to the receipt of the bequest and 2) support the Community Foundation's programs and services. The fee is set by the Community Foundation board of directors and is currently set at 2%.

Donor's Review and Confirmation

We have reviewed this Memorandum of Charitable Intent and confirm that it reflects our wishes. We understand that I/we have the right to update this Memorandum at any time.

John Smith, Donor

Jane Smith, Donor

Date

FINANCIAL ADVISOR PROGRAM GUIDELINES

The Laguna Beach Community Foundation takes seriously its stewardship responsibility as a manager of many different kinds of donor funds. It recognizes that each donation – no matter the size – reflects an implicit trust in the ability to invest resources wisely and use the income produced, and in some cases the fund’s principal, in accordance with a donor’s charitable wishes. Accordingly, we require all financial advisors to manage funds on our behalf in a prudent manner consistent with the purpose and goals of the particular fund they are managing.

Specifically, financial advisors must comply with the following:

- a) Financial advisors, and all employees of such advisors, shall at all times operate in compliance with all applicable laws and regulations.
- b) Financial advisors shall notify us when there occurs any material change in investment style, or any change in either the individual or firm advising the account.
- c) Financial advisors shall seek the best price and execution for security trades they execute and shall comply with all regulations concerning “soft dollars.”
- d) Financial advisors shall not, at any time, charge higher fees or commissions to the donor’s fund than charged to the donor’s personal accounts.
- e) Financial advisors shall disclose all perceived or actual conflicts of interest, and all economic ties, commitment or familial relationships between and amongst the donor and the financial advisor. Family members are prohibited from serving as investment advisors.
- f) Financial advisors are prohibited from engaging in the following transactions on behalf of the Laguna Beach Community Foundation:
 - Any transaction that could jeopardize our tax-exempt status. For instance, a charitable remainder trust must not incur any unrelated business income tax.
 - Any transaction that results in leveraging our assets unless such transaction is disclosed in writing to us prior to the transaction.
 - Excluding mutual funds, any transaction investing in private placements, lettered stock, futures contracts, swaps, synthetic securities, derivatives, options, short sales, margin transactions or other specialized investment activities unless such transactions are disclosed in writing to us prior to the employment of the manager.

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