



MCLEAN ASSET MANAGEMENT CORPORATION DONOR ADVISED FUND

McLean Asset Management Corporation (MAMC), working in concert with The Community Foundation for the National Capital Region (CFNCR), has established a Donor Advised Fund (DAF) to facilitate charitable giving to any public charity. The fund is known as the “McLean Asset Management Donor Advised Fund.”

■ **Q: Can you explain the tax benefit of gifting appreciated securities?**

A: A gift of an appreciated security can provide a “double benefit” from a tax perspective: It may qualify for a tax deduction (as can a cash donation), but it also legally allows you and the charity to avoid paying capital gains tax on the appreciation of the security. For example, assume a mutual fund originally purchased for \$5,000 several years ago has grown to \$10,000. If you wanted to sell this and donate the proceeds, you would likely pay 15% tax on the \$5,000 of growth, leaving you with a net of only \$9,250 to donate. By gifting the appreciated security, rather than cash, the charity receives the full \$10,000, and you save \$750 in taxes.

■ **Q: Can I gift cash to this Donor Advised Fund?**

A: This fund is primarily, although not exclusively, geared toward those who wish to make charitable gifts of securities or investments from client portfolios. As a general rule, the DAF is able to accept any type of donation.

■ **Q: Why can't I gift securities directly to charitable organizations?**

A: MAMC primarily utilizes an institutional class asset manager whose fund shares cannot be universally sold through the mainstream brokerage firms most international charities are likely to use. To chase each one down and obtain selling agreements with each firm would be far more time consuming than making a donation to a donor advised fund. That is, of course, assuming that clients have appreciated securities to gift. Considering market increases of the past few years, there are appreciated securities available for gifting.

■ **Q: What are other benefits of utilizing this Donor Advised Fund?**

A: One of the benefits of working with CFNCR is that through its grant making function its staff has developed a wealth of knowledge and contacts within the non-profit sector which it can tap for information about various charities of interest to our clients. Once you, as a DAF donor, decide upon the charities you wish to benefit, the DAF will request CFNCR, as the umbrella charity for our DAF, to issue grants to the designated charities. Each grant must be at least \$500. Upon receipt of the grant, the charity will also be informed that you were the source of the donated funds. Of

course, if you as a donor wish to remain anonymous, the DAF will abide by your wishes.

■ **Q: When I am considered to have made a charitable contribution deduction for tax purposes?**

A: Upon receipt of securities by the DAF, you are considered to have made a charitable contribution deduction for income tax purposes. You can decide to request a distribution of your donated funds from the DAF at any time after that date.

■ **Q: Why are you using a ‘pass-through’ organization like CFNCR?**

A: In order to streamline the charitable giving process and ensure you receive a charitable contribution deduction for tax purposes. As a reputable non-profit organization, CFNCR has an established vehicle to implement this in a quick and efficient manner. Otherwise, it would be much more difficult – or even impossible – to complete gifts of these securities directly to charitable organizations.

■ **Q: What is CFNCR?**

A: CFNCR (www.cfncr.org) is one of many community foundations throughout the United States and is a qualified public charity under Section 501(c)(3) of the Internal Revenue Code. An overriding mission of all community foundations is to promote charitable giving. CFNCR’s partnership with MAMC in establishing a donor advised fund facilitates our clients’ philanthropy by eliminating the administrative burdens that may accompany the gifting of securities. CFNCR currently administers in excess of 700 donor advised funds. Examples of current and past funds administered by CFNCR include The Laura Bush Foundation for America’s Libraries; Katrina Open Arms Fund; and The Survivor’s Fund (for survivors of 9/11 and their families).

■ **Q: What does CFNCR charge for their services for the DAF?**

A: CFNCR will charge a fee of 1.1% for handling the administration of the gift and all tax compliance, which we think is well worth it, given the benefit. The acknowledgment of your donation to support the charitable contribution deduction will be issued by CFNCR.

■ **Q: Does MAMC charge a fee for this service, or profit in any manner from my donation?**

A: We neither charge for, nor profit from providing this service. In fact, by assisting our clients in gifting securities, we are reducing our managed asset base and thus, reducing our fee income. We also act to help in the process, not only by determining tax advantage, but also by working with our strategic partners to obtain discounts from them in this effort. With Tsunami Relief in 2004, firms like TD Ameritrade waived transaction fees and Royal Bank of Scotland did not assess currency mark-ups or transaction fees on the cash transfers to the home currency of the on-the-ground charities in Sri Lanka. Similarly, we are currently working with our strategic partners to obtain the same benefits for our clients who wish to donate to the DAF.

If you’d like to learn more about whether the use of the McLean Asset Management Donor Advised Fund makes sense for your particular situation, please contact us and we’d be happy to discuss it with you in further detail.