

Donor Advised Fund FREQUENTLY ASKED QUESTIONS

A WISE ALTERNATIVE TO A FAMILY FOUNDATION

What is a donor advised fund?

A donor advised fund is your own ministry fund. It gives you, or your family, the opportunity to recommend the ministries, level of support that your fund will provide, and timing of when that support is provided. A donor advised fund may also be referred to as a family gift fund.

How does it work?

You can start your donor advised fund by signing a simple agreement and irrevocably funding it with as little as \$10,000. Principal and earnings of the fund are available for ministry. As God lays special ministry needs on your heart, you can contact the LCMS Foundation to recommend the ministry and the amount of support that you would like provided.

Is the LCMS Foundation required to follow my recommendations?

Because of the enhanced tax benefits with a donor advised fund, you are not allowed to retain any control of the fund. However, the Foundation values your relationship and carefully considers all requests. And the Foundation has honored all requests that do not conflict with the teachings of the LCMS. But it is important to understand that there is no guarantee future requests will be followed.

How else is a donor advised fund different than a private or family foundation?

A donor advised fund is much easier to start and operate. Since it is not a separate entity there is no tax exempt status to obtain or tax returns to file. That is why a LCMS Foundation donor advised fund can be started with as little as \$10,000 while most experts recommend a minimum of a million dollars to start a family foundation. Finally, there are less restrictive tax deduction rules for a gift to a donor advised fund because it is a gift to a public charity.

How do I make recommendations?

Recommendations can be submitted in writing to the LCMS Foundation. The Foundation has a standard "Distribution Request" form. Please let the Foundation know if you would like to see a sample.

What if I do not make any recommendations in a given year?

You are not required to make distribution recommendations. However, if the annual distribution from all donor advised funds held at the Foundation is less than 5%, the advisors on individual funds that distributed less than 5% will be contacted to make recommendations. The Foundation will distribute a minimum of 5% of the value of all donor advised funds held at the Foundation each year. In the last several years, the Foundation has distributed between 10 and 20 percent annually from all its donor advised funds.

Who can I name as advisors?

In the agreement you can name yourself or others as the "advisor" - the person entitled to make distribution recommendations. You can name as many advisors as you like, however only one person can serve as advisor at a time. Including your family as advisors can be a wonderful way to pass on a Christian witness and your stewardship values while involving them in the joy of giving.

What if an advisor decides to no longer make recommendations?

An advisor can resign by sending written notice to the Foundation and the next advisor listed in the agreement will then take over.

Are there any restrictions with the recommendations?

The minimum amount that the Foundation will distribute from the fund is \$250 per ministry. There is no maximum distribution. Distributions can be made from income and/or principal. All distributions must be made to tax-exempt public organizations. The Foundation will verify an organization's tax-exempt status before a distribution is made. Distributions cannot be used to benefit you or your family in any way.

Can I make recommendations to non-Lutheran organizations?

Yes. At least 51 percent of the annual distributions from your fund will benefit an LCMS ministry listed in The Lutheran Annual. The Lutheran Annual is compiled by the LCMS Department of General Services and Office of Rosters and Statistics and lists more than 10,000 ministries, including all LCMS congregations and schools, the boards and programs of the Synod, the Concordia Universities and Seminaries, and recognized service organizations.

Will I get any reports regarding my fund?

You will get a written receipt for every contribution you make to the fund. The advisor will also be notified of each distribution and receive periodic account statements. The statement will describe each distribution, each contribution to the fund, the income realized by the fund during the year, and the ending value of the assets held by the fund as of the last day of the statement period.

Can I make additional contributions to the fund?

Yes, provided the funding asset is acceptable to the Foundation. Cash and publicly traded securities are always acceptable. You can also name your fund as a beneficiary in your will or other testamentary gifts.

Are there any costs or administrative fees charged to the fund?

There is no cost to establish your fund. The only cost that your fund will incur is a 1/12 of 1.1 percent amount that will be distributed monthly to support the work of the Foundation counseling and assisting others in using their blessings to further the Lord's work. This amount is comparable to an administrative fee other entities may charge for a donor advised fund, but with an LCMS Foundation donor advised fund you have the satisfaction of knowing that it is being used to further the ministries of the LCMS.

How will the fund be invested?

The fund will be invested in the LCMS Foundation Standard Funds. The LCMS Foundation has established the Standard Funds with the assistance of its investment consultant. Performance and makeup of the Standard Funds are available upon request or by visiting the Foundation web site at www.LCMSFoundation.org.

How do I get started?

Please contact the LCMS Foundation at 800-248-1930 or see the "Gift Planning" link at www.LCMSFoundation.org

God bless you as you prayerfully consider how best to manage the resources that He has entrusted to you. The policies and procedures described in this brochure may be modified by the LCMS Foundation Board of Trustees from time to time as needed for efficient administration of the program. Donors and advisors will be notified in advance of any change.