

Charitable Gift Funds and Private Foundations

COMPARING FEATURES AND BENEFITS

FACTORS TO CONSIDER	CREATING AN RBC DS CHARITABLE GIFT FUND WITH CGFCF	CREATING A PRIVATE FOUNDATION	VALUE INDICATORS AND COST ESTIMATES
Set-up and organization	<ul style="list-style-type: none"> ■ Immediately available, CGFCF established since 2003 	<ul style="list-style-type: none"> ■ Delayed availability, incorporation of foundation takes time to complete 	<ul style="list-style-type: none"> ■ Initial set-up expenses can range widely (between \$10,000 and \$25,000*)
Tax status	<ul style="list-style-type: none"> ■ CGFCF is already tax-exempt ■ Registered with Canada Revenue Agency (CRA) 	<ul style="list-style-type: none"> ■ Must register with CRA to achieve tax-exempt status ■ Anticipate delay 	<ul style="list-style-type: none"> ■ Typically 12-18 months for registration process, depending on clarity/acceptability of charitable objects
Funds required to initiate	<ul style="list-style-type: none"> ■ Minimum \$25,000 required to open an account 	<ul style="list-style-type: none"> ■ Experts recommend assets of <i>at least</i> \$2 million for cost effectiveness 	<ul style="list-style-type: none"> ■ On assets of at <i>least</i> \$2 million+, published trustee fees range widely (1% -1.5% on first \$2 million, down to .50% -60% on balances over \$4 million). On large accounts, fees are negotiable. Investment fees, special service fees, and executor fees excluded from this figure. ■ In CGFCF program, RBCDS fees are very competitive, recognizing the level of comprehensive services offered
Tax benefits / reporting obligations	<ul style="list-style-type: none"> ■ Donation receipts issued for full value of contributed assets. Resulting tax credits available to reduce taxes owing in year of gift ■ Up to 75% of donor's taxable income may be claimed annually ■ Excess may be carried forward for up to five <i>additional</i> years 	<ul style="list-style-type: none"> ■ Donation receipts issued for full value of contributed assets, resulting tax credits available to reduce taxes owing in year of gift ■ Up to 75% of donor's taxable income may be claimed annually ■ Excess may be carried forward for up to five <i>additional</i> years 	<ul style="list-style-type: none"> ■ While tax benefits are now very similar, reporting complexities (including excess holdings reporting, compliance requirements etc.) resulting from recent Federal Budget changes have made private foundations less appealing than ever before
Federal approvals, restrictions and special taxes	<ul style="list-style-type: none"> ■ Approved by CRA ■ Less likelihood of CRA field audits ■ Greater capacity to absorb such costs if incurred 	<ul style="list-style-type: none"> ■ Must receive CRA approval ■ Greater incidence of CRA field audits ■ Limited capacity to absorb such costs if incurred 	<ul style="list-style-type: none"> ■ Ongoing/periodic legal and audit costs can be significant ■ Private foundations are vulnerable to such cost impacts – often unanticipated, and outlays erode charitable giving capacity

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Legal and policy documents required to create, operate and maintain foundation, and administer grant-making processes	<ul style="list-style-type: none"> ■ Already in place and operational 	<ul style="list-style-type: none"> ■ Must be created 	<ul style="list-style-type: none"> ■ Expense involved in creating and maintaining legally required documentation and policy framework underestimated
Office / administrative Systems	<ul style="list-style-type: none"> ■ Already in place and operational 	<ul style="list-style-type: none"> ■ May need to obtain 	<ul style="list-style-type: none"> ■ Complexity of information management needs (gifts, investments, grants, etc.) often underestimated
Staffing / access to philanthropic expertise	<ul style="list-style-type: none"> ■ In place 	<ul style="list-style-type: none"> ■ May need to obtain consulting services typically run \$100 - \$250/hour* 	<ul style="list-style-type: none"> ■ Value of this expertise in ongoing foundation management often underestimated
Accounting services	<ul style="list-style-type: none"> ■ In place 	<ul style="list-style-type: none"> ■ Must obtain. (Estimated at 10 to 15 hours/month at \$100/hr). Annual cost: \$12,000 to \$18,000* 	<ul style="list-style-type: none"> ■ Practitioners with expertise in charitable tax law may be difficult to find
Annual year-end audit and filing	<ul style="list-style-type: none"> ■ Responsibility of CGFCF 	<ul style="list-style-type: none"> ■ Must be prepared. Estimated annual cost: \$10,000 to \$15,000*, depending on complexity 	<ul style="list-style-type: none"> ■ Ongoing annual expense. CGFCF absorbs costs centrally, no additional charge to funds ■ Private foundations are responsible for full expense involved, often underestimated
Public Information Return (T3010)	<ul style="list-style-type: none"> ■ Report to public through CRA - prepared annually 	<ul style="list-style-type: none"> ■ Must prepare reports for submission to CRA – accessible by the general public (i.e. not private). Estimated annual cost: \$3,000 to \$5,000* 	<ul style="list-style-type: none"> ■ Ongoing annual expense. CGFCF absorbs costs centrally, no additional charge to funds ■ Private foundations are responsible for full expense involved, often underestimated
Knowledge of potential grantees	<ul style="list-style-type: none"> ■ CGFCF able to provide strategic counsel (upon request) 	<ul style="list-style-type: none"> ■ Must develop or purchase own expertise, estimate \$100 - \$250/hr* 	<ul style="list-style-type: none"> ■ Cost of developing expertise is often underestimated
Grant administration processes to ensure donor's intent set and satisfied	<ul style="list-style-type: none"> ■ In place and operational 	<ul style="list-style-type: none"> ■ Must be developed 	<ul style="list-style-type: none"> ■ Cost of developing consistent processes, legally compliant – are often underestimated

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Public recognition for donor(s)	<ul style="list-style-type: none"> ■ Fund may be named and/or grants may be made anonymously 	<ul style="list-style-type: none"> ■ Must disclose all grants made <i>publicly</i> or rely on discretion of recipient charities 	<ul style="list-style-type: none"> ■ Private foundations, despite the name, are <i>not actually private</i>. Public disclosure of all operational information required by CRA annually.
Director / officer liability insurance	<ul style="list-style-type: none"> ■ In place 	<ul style="list-style-type: none"> ■ Must obtain, estimated annual cost: \$3,000 to \$5,000* 	<ul style="list-style-type: none"> ■ Difficulty in obtaining coverage may be experienced. Cost of acquiring coverage often underestimated
Compliance / regulatory expertise	<ul style="list-style-type: none"> ■ Expert knowledge on charitable practices 	<ul style="list-style-type: none"> ■ Must be obtained. Estimated annual cost: \$3,000 to \$5,000* 	<ul style="list-style-type: none"> ■ Cost of acquiring expert knowledge often underestimated
Investment of assets	<ul style="list-style-type: none"> ■ Investment Committee oversees investment policies 	<ul style="list-style-type: none"> ■ Must establish policies and select suitable investments 	
Foundation permanence and sustainability	<ul style="list-style-type: none"> ■ <i>Independent</i> public foundation assures operational permanence in the public domain 	<ul style="list-style-type: none"> ■ Private foundation often becomes an administrative burden for both founders and heirs 	<ul style="list-style-type: none"> ■ The value of <i>peace of mind</i> usually endures long after the pain of the expense involved fades
Organization overhead	<ul style="list-style-type: none"> ■ Modest. A monthly fee of 0.75%[†] of the fund balance is charged by CGFCF to provide its services and advance its charitable mission. <p>[†] Fees are on a sliding scale – 0.65% on funds over \$2.5 million and lower, negotiated rates on funds over \$5 million.</p>	<ul style="list-style-type: none"> ■ Varies widely ■ Level of expense depends on structure, staffing and activity 	<ul style="list-style-type: none"> ■ The ongoing costs of overhead for a private foundation are often underestimated, potentially eroding grantmaking capabilities. Annual estimate (including basic noted above excluding staffing and office expense): \$30,000 to \$50,000*

*Estimate of annual expense which may be incurred to operate a private foundation in the \$5,000,000 to \$15,000,000 size range. The estimate was discussed with Michelle Podhy, CA, Partner KPMG. Please Seek professional advice before acting.