Foresight

Hadley Institute for the Blind and Visually Impaired

Spring 2019

Good Neighbors Lead to a Legacy of Giving

Jack Goggin first learned about Hadley from his Northfield, IL neighbor, Annette Vetterick, a longtime and beloved Hadley employee (see inside). Since making his initial gift to Hadley more than 40 years ago in her honor, Jack has been a steady supporter with Hadley among the dozen or so organizations that benefit from his generosity. His chosen causes reflect his caring nature and desire to help people, animals and the environment.

Hailing from Ossian, IA, Jack earned his college degree at Grinnell and graduate degree at the University of Iowa. He then made his way to Chicago, where he spent most of his 30-year advertising career working at top agencies and publications including the Chicago Tribune and TV Guide. Now retired and living in Lincolnshire, IL, Jack stays active golfing and playing tennis in the warmer months. He is an avid reader throughout the year, typically, with his cat, Gus, by his side.

Hadley’s mission became more personal to Jack a few years ago when
he experienced a series of eye infections. Living with compromised vision
for several months gave him first-hand understanding of the challenges of
visual impairment.

In recent years, Jack has learned more about Hadley by taking part in our events in the Chicago area—such as the annual Student Award ceremony and Hadley’s iFocus presentation at Chicago’s Apple store last spring. He
is a strong believer in Hadley’s mission and appreciates the “important work Hadley is doing to provide needed tools and resources to help those who have been denied their eyesight.”

Jack is also a member of Hadley’s Clarence Boyd Jones Society. In recognition of Clarence Boyd Jones, a key supporter and first chairman of Hadley’s Board of Trustees, this society honors those who are ensuring free learning for visually impaired individuals by safeguarding the future of Hadley through a planned gift. Hadley is grateful for donors like Jack. And, we know, he is making his neighbor proud.

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Tailoring Private Foundations and Donor Advised Funds to Your Needs

Louis S. Harrison and Katarinna McBride

One of the most frustrating experiences is putting on clothing that doesn’t fit. By the time you repurpose it so the waist band isn’t too tight or the shoulders aren’t hanging off of you, the utility and cost of the clothing may surpass its need or desirability. Often new clothes are not as comfortable as the ones we have.

There are so many exciting tools being used to make charitable gifts today. And we are being encouraged to explore all of these options and make new choices. But with all of the vehicles for gifting, such as private foundations, donor advised funds, charitable trusts, gifts from IRAs, and testamentary gifts, how do we pick the one that fits?

Let’s try on private foundations and donor advised funds, and explore the different ways we may use them or alter them to our exact measurements, in a way that is comfortable.

Private Foundations

A private foundation, sometimes referred to as a family foundation, is a popular choice for a donor or a family that wishes to make charitable gifts today but determine which particular charity to give the gifts to, at a later date on an annual basis. In a way, a private foundation permits donors to make tax-deductible donations in one year and still control the investment and management of the funds/gifts as well as the charitable disposition in future years. Donors do not pay capital gains on assets gifted to a private foundation. Further, donors obtain an income tax deduction for gifts to private foundations, subject to limitations that are rarely applicable to most donors.

For the sake of completeness, we mention them here: the charitable deduction limitations for one year are 20% or 30% of the donor’s adjusted gross income for gifts to that donor’s family foundation, for example.

Private foundations are not established for solely their tax benefits. They are often used to design or to continue a gifting program or create a culture of philanthropy, and may involve other generations of family members, key employees and close advisors and friends. They are a way to allow the family to operate as a family in a productive, important and enjoyable fashion.

A private foundation may be organized as a not-for-profit corporation or as a trust. The most common question regarding the structure of the private foundation is often, “which one easier to administer and more cost effective?” Understanding these options is the key to finding the proper fit.

In the case of a not-for-profit corporation, it is a state-regulated entity, and naturally there are state filings and more initial preparation work to create the corporation, and the governing documents, such as the articles of incorporation and the bylaws, which are commonly approved by a board of directors. There is also the annual maintenance of the corporation, which includes holding annual meetings, preparing meeting minutes, filing annual reports and paying annual registration fees, which vary state by state. In some states, the corporation must also report to the Attorney General.

Though this may seem onerous, having structure as to how to run an organization is sometimes desirable and provides guidance to the family. Corporations are also known to be a liability shield, protecting directors and managers of the corporation from personal liability. This may be desirable whether the people who run the organization are all family members, non-family members or a combination of both. For non-family members, protecting and indemnifying those individuals may be a prerequisite for them to accept a position as a director or other officer.

If electing to use a trust, the initial work is often less intensive and involves the creation of a charitable trust by expert counsel, which is then signed by the creator and by the trustee. The trust document is not filed with the state and there is usually no state registration or compliance.

A trust is more private than a corporation, because there is no reporting to the state, but reporting to the federal government is required regardless if the private foundation is a trust or a corporation.

With modern trust drafting, corporations and trusts are becoming more difficult to distinguish. Though trusts are commonly irrevocable, there is significant flexibility built into well-drafted trusts, such as the ability to modify the make-up of the private foundation and its administration, and the ability to indemnify the trustees, advisors and other service providers.

In prior years there was an argument that a corporation was more flexible than a trust, because the purpose, directors and other organizational factors may be modified. But now that both boast similar features, and the standards and liabilities of trustees may be reduced, it is more difficult to measure the differences.

Different advisors have their favored approach. We typically use the corporate format because of the discipline it instills on the family to maintain a certain (not much) degree of formality in the administration of the family foundation.

Donor Advised Funds

The donor advised fund (“DAF”) has become an increasingly popular tool and substitute for what some donors regard as the administrative hassle of a family foundation. (For the record, we do not believe administering a foundation is a hassle).

A DAF is a 501(c)(3) charitable organization, commonly housed at investment firms (Fidelity, Goldman, Schwab, Vanguard), community foundations (Chicago Community Trust), and individual charities. In addition to cash, DAFs typically accept gifts of appreciated securities. Some DAFs accept other types of non-cash gifts, such as real estate, business interests, and intangible property, and proceed to sell or liquidate those assets.

Similar to private foundations, DAF donors are able to plan to maximize tax savings, by front-loading a gift in a high income year, while being able to identify the charitable beneficiaries at a later date, even in the next year.

The tax law changes made under the Tax Cuts and Jobs Act (“the Act”) have raised the charitable contribution deduction to 60% for gifts of cash made to a DAF (gifts of appreciated property remain deductible at 30%). But the Act has also significantly raised the standard deduction (now $24,000 for married filers), which has made it more difficult for taxpayer to itemize and use their charitable deductions. Donors have responded by “bunching” their charitable donations.

Bunching is a strategy in which the donor combines the gift that would be made over a period of multiple years into a gift made in a single tax year, so that they may itemize deductions under the new tax law. Both private foundations and DAFs are handy for bunching because the taxpayer can make the donation to either one in year one, to get the deduction, and then make gifts from the private foundation or DAF to qualifying tax-exempt organizations over multiple years. For the charities, this prevents the feast or famine result, because the charities will continue to receive their funding as they normally would, over a period of years.

Administration of the DAF is through and by a third party. All the donor and the donor’s family or successors (as allowed by the DAF) are required to do is to make “requests” from the DAF identifying which charities they seek to benefit from year to year. That then becomes an important distinction between a private foundation and a DAF: once the donor makes a gift to a DAF, they give up control over the gift. The donor makes those written requests (a form is supplied by the DAF) as to how much and which charity should benefit, but the DAF is not legally obligated to follow the donor’s recommendation. The donor has lost the power to ‘direct’ where the gift goes. But this is often a legal distinction rather than a practical distinction. In reality, the DAF almost always abides by the donor’s wishes, as long as the intended recipient is a qualifying tax-exempt organization.

Other benefits of a DAF:

1. A DAF is an effective privacy shield. Once you make a gift to the DAF, the latter gifts made to tax-exempt organizations may be completely anonymous. Another option is to name the DAF after your family or a cause that is important to you, such as “Smith Family Charitable Fund” or “Cleaner Air Foundation” and make gifts under that name.
2. A DAF is not only a lifetime giving vehicle, but the donor may decide to which organizations and for which purposes gifts are to be directed at or after their death ( a private foundation may do the same). The DAF may survive the donor for many years. A donor may leave a gift to their DAF in their will or their trust, and the DAF will continue the gifting legacy of the donor. A donor may name family members or others to provide direction and carry on their charitable legacy after their death.

As to private foundations versus donor advised funds, the primary differences come down to control and flexibility.

When a gift is made to a DAF, it is an irrevocable contribution to the public charity that administers that fund and makes decisions regarding its investments. Donors may make recommendations as to eligible charities as recipients, but the DAF’s governing body is free to accept or reject any such recommendation.

With a private foundation, the donor, the family and designees retain control over charitable donations and other disbursements. A private foundation may hire staff, reimburse expenses, set up scholarship and award programs, and make grants directly to individuals in times of need (pursuant to strict IRS rules and guidelines). Donors may also contribute a much wider variety of assets to fund the foundation, such as restricted stock, intellectual property and split-interest property, while retaining control over how the assets are invested. A private foundation that has become too difficult or costly to administer may be wound down and used to fund a DAF.

With new styles of giving, there are many options to explore, and some will be a better fit than others.

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Be a Part of Hadley’s Continuing Legacy:
The Clarence Boyd Jones Society

Donors who have made a provision for Hadley in their estate plan
are eligible to join the Clarence Boyd Jones Society. This may be done by:

1. Including Hadley in your will or trust

• Suggested wording to share with your attorney: I give \_\_\_\_% or $\_\_\_\_ to Hadley Institute for the Blind and Visually Impaired, an Illinois non-profit corporation located at 700 Elm Street, Winnetka, IL 60093, EIN #36-2183809.

2. Designating Hadley as a beneficiary

• You can use an IRA, life insurance policy, annuity or any other instrument that allows you to designate a beneficiary.

• Simply request and fill out a “change of beneficiary” form from the appropriate provider.

• You could name Hadley a full, partial or contingent beneficiary with the designated amount being tax-free.

Or, you may choose to discuss additional options with your financial advisor or attorney.

Please let us know if you plan to leave a legacy at Hadley so we can thank you and welcome you to the Clarence Boyd Jones Society.

For more information on making a gift to Hadley, please contact Brooke Voss, Chief Development Officer, at 847.784.2774 or send an email to brooke@hadley.edu.

Annette Vetterick

With Hadley’s centennial around the corner, we are revisiting the events and people that have been instrumental to Hadley’s growth and success.

Hadley has been fortunate to attract and retain many talented and devoted staff members throughout its history. Annette Vetterick was one of these exceptional people.

Annette started working at Hadley in 1937, at age 19. At that time, the school occupied just one room, an office in the Winnetka Community House in Winnetka, IL.

Starting as the Assistant to the President, Annette’s roles and responsibilities expanded throughout her tenure to include librarian, registrar, bookkeeper, braille transcriber, typing teacher, and business manager.

After serving Hadley for more than 45 years, Annette retired in 1983, the year before her death.

Dr. Robert J. Winn, President of Hadley at the time, observed, “Mrs. Vetterick is removed only physically from us. She lives on in countless aspects of our School, where her good work and loving influence will benefit our students throughout the world for years and years to come.”

Philanthropy Advisory Council

Promoting the growth and strength of Hadley’s planned philanthropy program, these financial and legal professionals lend their time and expertise working with staff and donors through their advisors.

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