



# **DONOR ADVISED FUND**

## **PROGRAM CIRCULAR**

An Overview, Rules and Regulations  
of Rotary's Donor Advised Fund

**Updated 1 January 2018**



Welcome to Rotary’s Donor Advised Fund. Please read this Program Circular carefully. It describes the Donor Advised Fund program in detail and sets out the policies, procedures, rules, and regulations that apply to Donor Advised Fund accounts. All activities of the Donor Advised Fund and donor participation in the program are subject to the terms and conditions of this Program Circular. Rotary reserves the right to modify the program and Program Circular at any time.

The Rotary Foundation Donor Advised Fund is currently structured for a U.S. audience and all figures are in U.S. dollars. If you are not a U.S. citizen or your Rotary-affiliated group is not located in the U.S., please contact The Rotary Foundation before applying for an account.

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## DONOR ADVISED FUND

The Donor Advised Fund is a separately held fund of The Rotary Foundation (“TRF”), a public charity under the U.S. Internal Revenue Code. For more information about TRF please visit [www.rotary.org](http://www.rotary.org).

TRF Donor Advised Fund allows individuals and Rotary-affiliated groups to make tax-deductible contributions and then recommend how and when the funds are distributed to benefit U.S.-based charities.\* Account assets are invested, potentially increasing the charitable dollars available for distribution.

### IMPORTANT FEATURES OF TRF DONOR ADVISED FUND

- All contributions are irrevocable. Assets in Donor Advised Fund accounts are property of TRF and can only be used for charitable purposes.
- A distribution from an account can be made to an IRS-approved public charity. Distributions cannot be made to individuals or for scholarships earmarked for an individual that the donors have selected.
- Administrative and investment management fees currently total up to 1% annually and are subject to change.
- In July, each Individual Account transfers \$250 and each Group Account transfers 1% of the value of the account to TRF’s Annual Fund to support TRF’s humanitarian work.
- In March, each Legacy Account transfers a minimum of 1% or \$1,000, whichever is greater, to TRF’s Annual Fund.
- All contributions and distribution recommendations are subject to review and approval of TRF and its Trustees.
- Investments may gain or lose value.
- When you submit a TRF Donor Advised Fund account you are attesting that you have read this Program Circular and agree to the terms and conditions described herein.
- No account may be opened without completing and signing a written application.

\* The deductibility of a gift may depend on whether you itemize deductions and your individual circumstances. This Program Circular is not intended to provide legal or tax advice. Please consult your financial or tax advisor to determine the tax consequences of giving to the Donor Advised Fund. Tax deductions discussed herein refer specifically to U.S. federal taxes.

## TYPES OF ACCOUNTS

### **Individual**

Individual accounts offer many of the benefits of a family foundation without the burdens of administering one. You and your spouse or partner fund the account with tax deductible contributions, advise how you want the account assets invested, and recommend how and when TRF makes distributions from the account.

After your lifetime, half of the amount left in the account (or more) will go to TRF's Endowment. If no designation is selected, the default designation to TRF's Endowment is World Fund. If the balance of the account is \$150,000 or more before the transfer to the Endowment, you may name your child(ren) as successor(s) to the balance of the account during their lifetimes, or you may elect to transfer the balance to a Legacy Account. If the balance is less than \$150,000, the portion that is not transferred to the Endowment may be distributed to charities you select.

### **Group**

Group accounts allow Rotary clubs, districts and other Rotary-affiliated groups to accept tax-deductible contributions without setting up their own 501(c)(3) organization. Your group names at least two and as many as four individuals to act as account advisors to make distribution and investment recommendations.

Group Accounts are intended to last in perpetuity.

### **Legacy**

Legacy accounts provide fixed annual distributions to TRF's Annual Fund plus one additional charity and are intended to last in perpetuity. You and your spouse or partner may fund the account with tax deductible contributions during your lifetime or through your estate plan. You may also create a Legacy account as a successor to 50% of an Individual Donor Advised Fund.

Each year the account will make distributions totaling at least 4.25% of the value of the account, continuing after your lifetimes, as long as the account balance is greater than \$30,000.

## ESTABLISHING AN ACCOUNT

Open an account by completing an application and making an irrevocable contribution of at least \$10,000 for an Individual or Group Account, or at least \$75,000 for a Legacy Account.

You will have up to 30 days to fund the account by check, wire transfer or transfer of securities, **but not a cashier's check or money order**. Please notify TRF if the account is to be funded on a testamentary basis.

You will have the opportunity to name the account. Typically, accounts are named for the Group or Individual Account advisor(s) or in honor of a friend or family member. The account name will appear on all distribution checks unless you request a distribution be made anonymously.

**Eligible Parties**     **Individual and Legacy accounts:** Individuals, couples, and trusts are all eligible to be Individual and Legacy account advisors. Additional documentation may be required for individuals residing outside the U.S.

**Individual and Legacy accounts** are limited to one account advisor **and** his or her spouse/partner. Both individuals are considered to be joint account advisors and are qualified to make distribution and investment recommendations.

**Group accounts:** Members of Rotary-affiliated groups such as clubs, districts, fellowships and Rotarian Action Groups are eligible Group Account advisors. Individuals, couples and trusts are eligible as well.

You may add or remove account advisors at any time by completing a request form that is signed by all account advisors.

At all times there must be at least two, but no more than four, Group account advisors. Corporations and other legal entities may not be Group account advisors. Additional documentation may be required for individuals residing outside the U.S.

**Successors**     **Individual accounts:** As detailed in *Succession Options for Individual accounts*, children of the original account advisor(s) may be designated as successors if the account balance is at least \$150,000 at the death of the last account advisor. Alternatively, you may arrange to have the balance of at least \$75,000 transferred to a Legacy account.

**Group and Legacy accounts** are intended to continue in perpetuity and therefore **cannot** designate a successor.

**Account advisors for any type of account must be at least 18 years old.**

## SUCCESSION OPTIONS FOR INDIVIDUAL ACCOUNTS

Upon the death of the second account advisor, 50% of the balance of the account, or a higher percentage that you recommend, will be transferred to TRF's Endowment.

**For accounts less than \$150,000** as of the death of the surviving account advisor, after any testamentary contributions have been added to the account, you may recommend that the remainder (after the transfer to the Endowment) be distributed to any approved charitable organizations. If you do not name any charitable beneficiaries, the balance will be transferred to the Endowment.

**For accounts of \$150,000 or more**, as of the death of the second account advisor, after any testamentary contributions have been added to the account, you may 1) name one or more of your children to succeed you as account advisor(s) as to the remaining balance in the account after the transfer to the Endowment or 2) use the balance to establish a Legacy Account.

Successor children will have all of the privileges of an account advisor to make distribution and investment recommendations and recommend charitable beneficiaries. The designated successor must provide TRF with written notification and proof of the last account advisor's death. If the successor is a minor, TRF may require that a legal guardian make distribution recommendations.

Successor children will have the opportunity to name any successors if the balance of the account is \$150,000 or more. Upon the death of the last designated successor, 50% of the balance of the account, or a higher percentage that the account advisor(s) have recommended, will be transferred to TRF's Endowment. The remaining balance can be distributed to other approved charitable organizations recommended by the successors. If no charitable beneficiaries are named, the balance will be transferred to Rotary's Endowment.

### If No Successor or Beneficiary is Named

If you have not named a successor or recommended any charitable beneficiaries, the account balance will be transferred to the Endowment.

## SUCCESSION OPTIONS FOR GROUP ACCOUNTS

Group accounts are intended to continue in perpetuity and therefore **cannot** designate a successor. If a Group account is terminated, TRF Donor Advised Fund will liquidate the remaining shares in the account and distribute the proceeds to TRF's Endowment.

## CONTRIBUTING TO AN ACCOUNT

Account advisors and third parties may make additional contributions of a minimum of \$1,000 at any time. For Group accounts, contributions from more than one donor may be combined to meet the \$1,000 minimum.

**Contributions are irrevocable.** Once TRF accepts a contribution, it cannot be refunded. All contributions must be reviewed and approved by TRF. Contributions that are not accepted will be returned as soon as practicable. Those that are accepted will be acknowledged via written or email confirmation.

**Cash Contributions** must be in U.S. dollars and delivered by check or wire but **not cashier's check or money order**. Checks should be made payable to TRF Donor Advised Fund (or "TRF DAF"), with the account name and account number written in the memo field, and delivered to:

**Rotary DAF c/o NRS  
12 Gill Street, Suite 2600  
Woburn, MA 01801**

**Wire Transfers and Contributions of Securities** require 24 hours' advance notice. Please contact TRF staff at (847) 866-3100 for instructions. If you are considering a year-end contribution of mutual fund shares, please keep in mind that, for tax purposes, your gift is deemed made on the date the transfer is complete and mutual fund share transfers may take several weeks to complete.

**Contributions of Securities** may be made in mutual fund shares, stocks, bonds, and other securities, including certain private and restricted stock. Gifts of stock must be sent to our DAF custodian bank in Massachusetts. Failure to do so will result in delay of your gift and potential change in gift amount. **Please reach out to staff at [plannedgiving@rotary.org](mailto:plannedgiving@rotary.org) for the most up-to-date forms.**

Please note that TRF Donor Advised Fund does not value private securities. If you are considering this type of contribution, you should obtain an independent qualified appraisal. TRF will send a written confirmation of the donation with a description of the asset donated.

### Testamentary Gifts and Gifts from Trusts

A Donor Advised Fund account may be named as the beneficiary of a bequest of cash or securities through your will or estate plan. You may also name a Donor Advised Fund account as the beneficiary of a retirement account, including an Individual Retirement Account (IRA), life insurance policy, charitable remainder trust or charitable lead trust.

Please consult with your tax and legal advisor when setting up any testamentary gift or trust. TRF will provide suggested language for testamentary gifts upon request.

## INVESTMENT OPTIONS

TRF invests its Donor Advised Fund assets in four investment portfolios, which are managed by Boston Private Bank & Trust Company pursuant to the investment objectives set by TRF Trustees, as described below.

Account advisors may recommend how Donor Advised Fund account contributions should be allocated among any combination of the four portfolios. Currently, **if an investment recommendation is not made, the contributions will be allocated to the Conservative portfolio.**

### **Long-Term Growth**

This portfolio's primary objective is long-term capital appreciation. It is invested in 75% equities index funds, split evenly between U.S. and non-U.S. stocks. The Long-Term Growth portfolio holds approximately 25% of assets in fixed-income in order to reduce volatility. Given the higher exposure to equities, it carries the highest level of risk of the four portfolios.

### **Balanced**

This portfolio seeks to provide long-term capital growth, and also generate income. It is invested 50% in equities index funds, split evenly between U.S. and non-U.S. stocks, and 50% in bond funds. While the allocation to bonds can lower volatility, given its exposure to equities, this portfolio carries the second highest level of risk.

### **Conservative**

The primary objective of this portfolio is to provide low volatility and a higher level of current income. This fund invests 75% of its assets in bond funds and 25% in equities index funds, split evenly between U.S. stocks and non-U.S. stocks to provide some degree of capital appreciation.

### **Money Market**

This portfolio is designed to safeguard principal. It is invested in money market funds. The portfolio does have some degree of interest rate risk, which can lead to negative returns when earnings are less than fees. However, given the short-maturities of these investments, the Capital Preservation portfolio has the lowest risk of the four portfolios.

It is possible that TRF Donor Advised Fund investments will decline in value.

## RECORD KEEPING AND REPORTING

TRF will provide confirmation of all account transactions, usually within five business days after the transaction. Contribution confirmations may serve as your tax receipts. Quarterly account statements may be accessed online. You may request that paper statements be sent to you. TRF will provide other financial reports or information as required by law.

## TAX-WISE ESTATE PLANNING

Contributions to the Donor Advised Fund and any increase in value of account assets are not part of your taxable estate and are not subject to probate. Donor Advised Fund contributions are not subject to gift taxes or included in your unified credit calculation.

## CHARITABLE INCOME TAX DEDUCTION

If you itemize deductions, you will be eligible to claim a charitable contribution deduction in the year that you make a contribution to the Donor Advised Fund, subject to certain limitations. Your deduction will depend, in part, on the type of asset you contribute and your personal circumstances. This Program Circular is not intended to give legal or tax advice. Please consult your professional advisors to determine the specific tax deductions available to you.

Cash: You may claim a deduction for the amount of your cash contribution.

Securities or mutual fund shares held more than one year: TRF will provide the amount of the mean of the high and low prices reported on the date the contribution of securities is received by the Donor Advised Fund account. For mutual fund shares held for more than one year, the deductible amount is the closing price on the date the contribution is received.

Securities or mutual fund shares held for one year or less: You may claim a deduction in the amount of the lesser of your cost basis or fair market value ("FMV") as determined in accordance with the rules described above.

Non-publicly traded securities: Securities that are not publicly traded will be reviewed on an individual basis prior to accepting the gift. Please call TRF staff at (847) 866-3100 prior to sending the securities. The IRS will require you to obtain a contemporaneous appraisal from a *Qualified Appraiser* for any contribution of non-publicly traded securities for which you will claim a deduction of \$10,000 or more. If the deduction claimed is less than \$10,000 but more than \$5,000, a partially completed appraisal summary on IRS Form 8283 is required. For securities held for one year or less, your deduction is for the lesser of your cost basis or FMV.

Deduction Limitations: Deductions for cash contributions are limited to 50% of your adjusted gross income ("AGI") in the tax year in which your contribution is made. Deductions for contributions of appreciated securities held for more than one year are limited to 30% of AGI.

Any excess amount may be carried forward and deducted in the five-year period after the year of contribution. Your ability to deduct itemized deductions may be subject to certain other limitations. Please consult your tax advisor to determine your deduction limits.

## TAX TREATMENT OF DONOR ADVISED FUND INCOME & DISTRIBUTIONS MADE TO CHARITABLE ORGANIZATIONS

Income that accrues to a Donor Advised Fund account belongs to the account and not to the account advisor. Therefore, the account advisor is not taxed on this income and cannot claim a charitable deduction when the income is earned in the account.

When TRF Donor Advised Fund liquidates shares in the account to make distributions, the Donor Advised Fund is distributing its own assets. You are not eligible for a further charitable income tax deduction with respect to distributions made from the account.

## DONOR RECOGNITION

Contributions **to** the Donor Advised Fund **do not** earn Foundation recognition points or count toward Major Donor, Paul Harris Society or Sustaining Member recognition. Individual and Legacy Accounts You are eligible for Benefactor or Bequest Society recognition for 50% of the amount of your initial contribution, as it is expected that this amount will eventually benefit TRF's Endowment.

Annual transfers and any distributions you recommend from an Individual or Legacy account to TRF count toward your Major Donor recognition. Additionally, the annual transfer and any distributions to TRF's Annual Fund, PolioPlus or an approved Global Grant are eligible for Paul Harris Society recognition and will earn Foundation recognition points (Paul Harris Fellow points). If you like, you may request that the transfer be increased, for example to \$1,000 to qualify you for the Paul Harris Society.

Group Accounts The annual transfer and any distributions to TRF's Annual Fund, PolioPlus or an approved Global Grant earn Foundation recognition points (Paul Harris Fellow points) for your group and may count toward club and district giving goals. **There is no individual donor recognition for distributions from a Group account to TRF.** However, recognition points may be transferred to individuals, subject to the usual Foundation rules regarding point transfers.

## RECOMMENDING A DISTRIBUTION – INDIVIDUAL AND GROUP ACCOUNTS

- **Online:** sign on to your account to make a Recommendation for a distribution.
- **Or** complete and sign a grant recommendation form and mail it to:  
Rotary DAF  
c/o NRS  
12 Gill Street, Suite 2600  
Woburn, MA 01801
- **Or you may fax the form to (781) 658-2497 or email it to [RotaryDAF@nrstpa.com](mailto:RotaryDAF@nrstpa.com)\***

All recommendations for distributions are subject to approval by TRF. Once approved, the check will generally be sent out within 3-5 business days. TRF will notify you if a recommendation is not approved.

**Minimum Distribution Amount:** \$250.00 recommended

**Minimum Distribution Activity:** An automatic transfer to TRF's Annual Fund each July of:

Individual Accounts: \$250

Group Accounts: 1% of the fair market value on 1 July

**\*Please note that by emailing your grant recommendation you acknowledge that email is not a secure manner of transmitting information and that neither Rotary nor its agents warrant that the email transmission is secure.**

## ANNUAL AGGREGATE DISTRIBUTION TARGET – INDIVIDUAL AND GROUP ACCOUNTS

TRF has established an annual aggregate distribution target of at least 4.25% of the Donor Advised Fund's average net assets on a fiscal five-year rolling basis.

If the Donor Advised Fund does not meet this target, requests for recommendations may be made of account advisors who have not had activity of at least 4.25% of their accounts' average net assets over the same five-year period. If these account advisors do not provide sufficient recommendations within 60 days to satisfy the 4.25% requirement, TRF may distribute to its Annual Fund the amount needed to satisfy this requirement.

## RECOMMENDING A DISTRIBUTION – LEGACY ACCOUNTS

Legacy Accounts make fixed annual distributions on 31 March of each year to TRF's Annual Fund plus one other charity that you recommend. You will have the opportunity to recommend the second charity and the amount of the annual distributions when you establish the account.

You may recommend the amount of the annual distributions be:

1. A fixed dollar amount;
2. A fixed percentage of the fair market value of the account;
3. A fixed percentage of the change in investment value above administrative and investment management fees.

Minimum Annual Distribution: Each account will make annual distributions equal to at least 4.25% of the average fair market value of the account for the prior three years.

Minimum Distribution to TRF: 1% of the fair market value of the account or \$1,000, whichever is greater.

If you do not recommend an amount, TRF will distribute 50% of the Minimum Annual Distribution to the Annual Fund and 50% to the second charity, provided that the distribution to TRF Annual Fund meets the minimum distribution amount of the greater of \$1,000 or 1% of the fair market value. In the event that the additional charity you recommend becomes ineligible to receive distributions, TRF will, at the Trustee's discretion, make the Minimum Annual Distribution to TRF's Annual Fund.

During your lifetime you may recommend a change in the second charitable beneficiary or amount of the annual distributions by contacting TRF Planned Giving at 847-866-3100.

## MINIMUM BALANCE

### Legacy Accounts

If a Legacy Account has a balance of less than \$30,000 for four consecutive quarters, TRF will evaluate the account to determine the likelihood of its balance dropping below the \$25,000 minimum amount for a named endowment. If TRF determines that the account will likely drop below \$25,000, the balance of the account will be transferred to Rotary's Endowment to establish a named fund in the name of the Legacy Account, to preserve your legacy and ensure your support of Rotary programs in perpetuity. Absent a designation selection on the account application, the default designation is Endowment – World Fund.

### Individual and Group Accounts

No minimum balance. However, it is intended that the accounts target a \$10,000 minimum.

## RESTRICTIONS – ALL ACCOUNTS

U.S. Public Charities: Distributions can be made to IRS-qualified charitable organizations described in Section 170(b)(1)(A) of the Internal Revenue Code, which includes 501(c)(3) organizations, and qualified religious, educational, hospital or medical research and governmental entities. Distributions cannot be made to individuals or private foundations.

Pledges & Private Benefit: Distributions may not be used to satisfy a pre-existing pledge or to pay for any goods or services, including dues, membership fees, benefit tickets, or goods bought at charitable auctions. Distributions may not be used for lobbying, political contributions, or to support political campaign activities.

Scholarships: Scholarship distributions may be made to an educational institution generally and then applied, by the institution, toward a student's education. **The account advisors may not choose the individual who receives the scholarship.**

TRF will reject any distribution recommendation for improper purposes and will take remedial action if TRF determines that improper Donor Advised Fund distributions have been made.

## CONTRIBUTION DATE

For federal income tax purposes, a gift is made when it is delivered to TRF, which generally means the point at which you no longer have control over the asset contributed.

<b>Asset</b>	<b>Contribution Date</b>
Check	The postmark date.
Credit Card	The date the gift is charged to the credit card.
Wire Transfer	The date the funds are received by TRF DAF.
Uncertificated securities via DTC	The date the securities are irrevocably credited to TRF DAF account at its custodian bank. <b>Please note that the transfer of mutual fund shares may require TRF to open an account with the mutual fund. Mutual fund share transfers may take weeks to complete.</b>
Certificated securities	The date the certificate is mailed.

## INACTIVE ACCOUNTS

TRF reserves the right to close any account. Accounts that have had no activity for 36 consecutive months, Annual Transfers to TRF notwithstanding, will be reviewed for closure. Prior to closing an account, every reasonable effort will be made to contact the account advisor(s) and request that the distributions be recommended from the account. Upon closing an account 50% of the account balance will be transferred to the Endowment and 50% will be distributed to other charitable beneficiaries of the account, subject to review and approval by TRF. If no other charitable beneficiaries have been designated, the entire account balance will be distributed to the Endowment – World Fund.

## SERVICE PROVIDERS, FEES AND EXPENSES

**Administrative Service Fee:** TRF has contracted with Northeast Retirement Services (“NRS”) to provide administrative and other support services. Each Donor Advised Fund account is assessed an annual administrative service fee of up to **70 basis points (0.70%)**. The fee is charged to each account on a quarterly basis, in arrears, on March 31, June 30, September 30, and December 31.

**Investment Management Fee:** TRF has contracted with Boston Private Bank & Trust to provide investment management services. Each Donor Advised Fund account is assessed an annual investment fee of up to **25 basis points (0.25%)**. The fee is charged to each account on a quarterly basis, in arrears, based on the average daily balance of the account during the preceding quarter.

The investment portfolios invest in Exchange Traded Funds that carry certain fees that are reflected in the net asset value. The expense ratios for the portfolios currently range from 0.12% to 0.16%.

**Brokerage Commission Schedule:** Approximately \$0.10 per share for trades under 1,000 shares; \$0.05 per share above 1,000 shares (this schedule does not apply to restricted, non-U.S., or closely held securities).

## FOR ADDITIONAL INFORMATION

Please contact TRF Planned Giving at (847) 866-3100 or [planned.giving@rotary.org](mailto:planned.giving@rotary.org).

Most of the documents described herein, including this Program Circular, can be found at [rotary.org/plannedgiving](http://rotary.org/plannedgiving)

Information concerning TRF Donor Advised Fund, including financial or charitable purposes may be obtained, **without cost**, by writing to its principal place of business at the following address: Planned Giving/Donor Advised Fund, 1560 Sherman Avenue, Evanston, IL 60201.

**This Program Circular was updated 1 January 2018.**

Planned Giving  
One Rotary Center  
1560 Sherman Avenue  
Evanston, IL 60201  
(847)866-3100  
[plannedgiving@rotary.org](mailto:plannedgiving@rotary.org)  
[rotary.org/daf](http://rotary.org/daf)