

The Basics of Donor Advised Funds

If you give to different charitable entities and want to ensure your donations are handled in a tax-advantaged way, a Donor Advised Fund could be the solution for you. Texas Capital Bank Private Wealth Advisors offers Donor Advised Funds exclusively through the Southwest Community Foundation.

What is a Donor Advised Fund?

A Donor Advised Fund (DAF) is a charitable giving vehicle often sponsored by a community foundation. It provides a tax-advantaged way to make contributions to IRS-approved charities by accepting funds from the donor, investing them in an investment vehicle, and then distributing the funds to charities through the donor's grant recommendations.

How does it work?

Utilizing a DAF is simple. First, contribute to the fund and receive a tax deduction immediately.* You can simply write a check or donate jewelry, coins, real estate or other items. You may also transfer securities such as stocks or bonds to maximize your donation, without realizing capital gains tax on the appreciated value of your assets (see sidebar for an example). Next, you'll select an investment model for the fund to help your gift grow into a more substantial gift over time — with the benefit of having all growth accrue tax-free. Finally, you will recommend grants from the DAF to an IRS-approved public charity (grants cannot be made to a private foundation). The Southwest Community Foundation then sends out contributions based on your preference.

DAFs do not require an annual distribution, so you may choose to distribute or retain as much or as little as you would like in any given year. When you are ready to make a donation, you may request a grant over the phone or via email. You'll receive confirmation of each disbursement and also be able to

Optimizing Deposits to Your Fund

You can sell your stocks and bonds, and then donate what is left over after you pay capital gains tax. Or, simply donate your securities directly and receive a tax deduction equal to the value of the stock,* while your favorite organization receives a larger donation. Or, donate your stocks and bonds directly, then buy back the securities in the taxable account to optimize your tax savings. Here's an example of what the numbers might look like if you're in the 37% tax bracket and you want to donate \$100,000 worth of stock.

SELLING	DONATING	DONATE AND BUY BACK
Current fair market value of securities: \$100,000**	Current fair market value of securities: \$100,000**	Current fair market value of securities: \$100,000**
Long-term capital gains tax: \$10,000	Long-term capital gains tax: \$0	Long-term capital gains tax: \$0
AMOUNT DONATED TO CHARITY <i>(cash from sale, net of capital gains tax)</i> \$90,000	AMOUNT DONATED TO CHARITY <i>(value of securities)</i> \$100,000	AMOUNT DONATED TO CHARITY <i>(value of securities)</i> \$100,000
Personal income tax savings: <i>(0.37 x amount donated to charity)</i> \$33,300	Combined personal income AND capital gains tax savings: <i>(0.37 x amount donated to charity)</i> \$37,000	Combined personal income, capital gains tax savings AND buyback: <i>(See calculation***)</i> \$47,000

* Consult with your tax professional. ** Assumes basis of \$50,000 and 20% long-term capital gains tax rate. *** The individual gifts \$100,000 of stock in XYZ, Inc. (with basis of \$50,000) and then uses \$100,000 to repurchase \$100,000 of stock in XYZ, Inc. (so stock now gets new basis of \$100,000). This gives the individual a \$100,000 income tax deduction. Immediate benefit to individual is \$37,000 (37% rate times value of gift of \$100,000). By giving the stock, however, the \$50,000 of built-in gain on the stock will never be recognized. That has an economic value of 20% times the built-in gain (\$10,000). The individual does not get an additional deduction for that, but she ultimately gets the benefit because she still has \$100,000 of stock in XYZ, Inc. but now it has higher basis (\$100,000).

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keep track of your balances through your Texas Capital Bank Investor Access online portal. Every check to a charity includes a cover letter which references your fund name, or you can choose to remain anonymous. Quarterly statements will keep you updated with deposits and disbursements.

Is a Donor Advised Fund right for you?

If you answer yes to one or more of the following questions, opening a DAF could be beneficial to you.

- You would like to simplify or consolidate your charitable giving activities.
- You would benefit from a charitable tax deduction in the current tax year, but have not identified a specific charity.
- You would like to optimize your charitable giving. *(See chart.)*

DAFs can be a great way to manage your charitable giving and maximize the impact of your donation. [Contact us](#) to see if opening a DAF would be beneficial to you.

ABOUT TEXAS CAPITAL BANK

Texas Capital Bank is a business and private wealth bank focused on understanding our clients' needs and working alongside them to meet their individual financial goals. Headquartered in Texas, we work with clients throughout the state and across the country.

ABOUT SOUTHWEST COMMUNITY FOUNDATION

The Southwest Community Foundation and its affiliated entities have been serving Texans for more than 40 years. The Foundation administers hundreds of Donor Advised Funds, scholarships and endowments, and is providing a specialized service to Texas Capital Bank and its clients.

Learn more at: www.southwestcf.org



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