

# Estate Planning With Donor Advised Fund

As Benjamin Franklin said long ago: “...in this world nothing can be said to be certain, except death and taxes.” Franklin was not playing the role of estate planner when he proffered these words. But his observation is certainly relevant to those deciding what to do with their own estates. So, too, these words attributed to him: “The best thing to give...to all men [is] charity.”

**A donor advised fund (“DAF”) offers numerous benefits to those who wish to be charitable and minimize taxes.**

Donors who include a DAF in their estate planning may save estate taxes, simplify estate administration and provide flexibility for post-death charitable giving. This

is particularly true if the DAF is funded during life. How so?

- Assets placed in a DAF account during life avoid probate at the donor’s death. They do not have to be administered by the donor’s executor and are not subject to claims for taxes or claims by any creditors

the donor may leave behind.

- Lifetime funding of a DAF also allows the donor to experience firsthand how a DAF works and, potentially, to give family members or others an opportunity to serve as advisors while the donor is living. By previewing how the DAF and its advisors will operate, a donor may test whether it makes sense to contribute additional funds during life or at death.
- Funding a DAF during life allows the donor the additional benefit of taking a current income tax charitable deduction.
- Upon the donor’s death, the DAF may be used for charitable giving without interruption.

Some donors may prefer funding a DAF after death instead of during a lifetime. This approach, too, offers substantial benefits to the donor and society.

- By including a DAF in an estate plan, a donor will be assured the funds he or she contributes are dedicated to charitable purposes and managed by a public charity with the resources and expertise to ensure the funds are administered, invested and distributed properly.
- At the same time, the donor may name family members or others to serve as current or successor advisors on the account, thus giving them a role in shaping how the DAF’s funds are deployed and creating a legacy of charitable engagement. These advisors will have all the same rights to make grant recommendations (which are subject to approval by Morgan Stanley GIFT) and investment decisions as the donor had during his or her life.



Whether a DAF is created and funded during life or after death under the terms of a donor's estate plan, transfers of property to the DAF qualify for the unlimited gift and estate tax charitable deductions and may therefore reduce or eliminate estate taxes otherwise due at a donor's death.

Donors with estates large enough to exceed the federal estate tax exclusion amount (\$5,250,000 in 2013 and adjusted for inflation in future years) are generally subject to an estate tax rate of 40% on property that does not otherwise qualify for a deduction. Therefore, **each dollar that would otherwise be taxed and is given to a DAF saves 40 cents in tax.** If the donor is domiciled in a state that imposes a state estate tax, the savings can be even larger. There is no limitation on the percentage of a person's estate that may pass to charity and qualify for the estate tax charitable deduction.

Please see the following sample language that may be used for bequests to a DAF that is already in existence or that is to be formed and funded following the donor's death. You should consult with an attorney prior to incorporating any bequest into your own estate plan.

For any additional questions, contact the CCS Foundation at (509) 434-5123 or [foundation@ccs.spokane.edu](mailto:foundation@ccs.spokane.edu).

#### **Bequest in Will Where Account Is Established Prior to Death:**

I give to Morgan Stanley Global Impact Funding Trust, Inc., a Maryland nonprofit corporation, [the sum of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_)] OR [ \_\_\_\_\_ Percent, ( \_\_\_\_\_ %) of my estate], to be added to and held as a part of the \_\_\_\_\_ [Account Name] (Account Number \_\_\_\_\_).

#### **Bequest in Will Where Account Is Not Established Prior to Death:**

I give to Morgan Stanley Global Impact Funding Trust, Inc., a Maryland nonprofit corporation, [the sum of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_)] OR [ \_\_\_\_\_ Percent, ( \_\_\_\_\_ %) of my estate], to be held as a donor advised fund known as the \_\_\_\_\_ [Name of the Fund]. I direct \_\_\_\_\_ (advisor(s)) to have the same recommendation privileges which I would have had as an account holder during my lifetime.

#### **Distribution From Revocable Living Trust Where Account Is Established Prior to Death:**

Upon my death, my trustee shall distribute to Morgan Stanley Global Impact Funding Trust, Inc., a Maryland nonprofit corporation, [the sum of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_)] OR [ \_\_\_\_\_ Percent, ( \_\_\_\_\_ %) of the trust principal], to be added to and held as a part of the \_\_\_\_\_ [Account Name] (Account Number \_\_\_\_\_).

#### **Distribution From Revocable Living Trust Where Account Is Not Established Prior to Death:**

Upon my death, my trustee shall distribute to Morgan Stanley Global Impact Funding Trust, Inc., a Maryland nonprofit corporation, [the sum of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_)] OR [ \_\_\_\_\_ Percent, ( \_\_\_\_\_ %) of the trust principal], to be held as a donor advised fund known as the \_\_\_\_\_ [Name of the Fund]. I direct \_\_\_\_\_ (advisor(s)) to have the same recommendation privileges which I would have had as an account holder during my lifetime.

For more information about Morgan Stanley GIFT and its donor advised fund program, please consult the Donor Circular and Disclosure Statement or your financial advisor or private wealth advisor.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Morgan Stanley Global Impact Funding Trust, Inc. is an organization described in Section 501(c)(3), of the Internal Revenue Code of 1986, as amended, and Morgan Stanley Global Impact Funding Trust is a donor advised fund. Various divisions of Morgan Stanley Smith Barney, LLC provide investment management services to Morgan Stanley GIFT.

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