



American Endowment Foundation

Anonymous Charitable Giving

By Jordan M. Ware, Guest Columnist

We live in a public world, where anyone can easily access an unsettling amount of personal information with a computer, smartphone, or tablet. Clients have become increasingly concerned with protecting their privacy and personal security. While some clients have no desire to keep their charitable endeavors anonymous, others prefer to keep their charitable activities and contributions private.

This article explains why clients may seek to keep their charitable activities anonymous and summarizes the methods available to accomplish their objectives.

Motivations for Anonymous Giving

Clients may wish to shield their identity with respect to their charitable gifts from the public or even the charity itself. There are many reasons why clients may wish to remain anonymous.

For instance, clients may desire to minimize solicitations from charities and those who support them. Many clients have spiritual, religious or philosophical reasons for keeping donations private.

At times, clients wish to avoid the public spotlight. They may seek to shun the limelight and place the focus on the charity rather than themselves. Clients may desire to give anonymously to avoid scrutiny of fellow board members, volunteers or staff members of a charity knowing how much the client donates to the charity. They may wish to avoid family members, friends, neighbors or colleagues knowing how much they donate or to which charities they donate.

Clients, at times, want to privately give to charities with different missions and objectives from those they regularly support. They may wish give to a certain program within a particular charity while avoiding association with the charity and its general mission as a whole. Clients may also desire to avoid personal security risks if others discover they are wealthy or oppose the charitable causes the client supports.

A survey on anonymous giving performed by the Center on Philanthropy at Indiana University reported that 50.6% of people who

- 1.) Client Gives Directly to Charity:** Generally, a public charity is not required to publicly disclose a donor's gift. While charities are required to file an annual tax return (Form 990), the IRS is required to redact substantial contributors' information, including name and address, before the Form 990 becomes public. To further protect the client's privacy and define the scope of the client's charitable gift, the agent may enter into an anonymous donation agreement with the charity.
- 2.) Client Gives Through an Agent:** Clients who wish to make a charitable gift that will be anonymous both as to the public and the charity should consider appointing an agent to make the gift. The agent would work with the charity to transfer the property and obtain the charity's written acknowledgement of the gift, which the client may use in claiming a charitable income tax deduction.
- 3.) Client Gives through a Revocable Trust or LLC:** A client may use a revocable trust or LLC to make charitable gifts while protecting the client's identity from both the public and the charity. The name of the revocable trust or LLC should not be easily associated with the client, a third party should serve as trustee or manager, and the revocable trust or LLC should obtain a separate taxpayer identification number.



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- 4.) Client Gives to a Donor Advised Fund:** If a client would like to give anonymously to multiple charities, the client should consider creating and funding a donor advised fund (“DAF”). Many public charities sponsor DAFs, which allow donors to make charitable contributions, receive an immediate income tax deduction, and retain the right to recommend grants from the DAF over time. When the DAF makes a distribution to a charity, the client may control the information that is provided to the charity, including withholding the name of the client and the DAF.
- 5.) Client’s Private Foundation Gives to a DAF:** A private foundation’s annual tax return (Form 990-PF) must report financial information, including charitable grants and the names, addresses, and contribution amounts of donors who give \$5,000 or more during the taxable year. Form 990-PF must be available for public inspection. Clients who seek privacy with respect to grants made from a private foundation should consider utilizing a DAF to distribute the funds to the ultimate charity. This strategy should make the charitable gift anonymous as to both the public and the ultimate charity.

While all these methods facilitate anonymous giving, a DAF may present the most flexibility for a client. Exponent Philanthropy’s 2018 Foundation Operations and Management Report determined that 17% of its members with private foundations have established DAFs, and 23% of those members indicated a main reason for establishing the DAF was to facilitate anonymous grants.

While absolute privacy may be impossible to achieve, professional advisors have an opportunity to assist clients in proactively structuring their charitable gifts to secure increased privacy by limiting public disclosure of sensitive information.

At American Endowment Foundation, we look forward to discussing how DAFs can play a role in building your AUM and aiding the charitable wishes of your clients. Contact us or call at 1-888-660-4508 to learn more.

Jordan M. Ware is a member of Winstead PC’s Wealth Preservation Practice Group. Jordan concentrates her practice on estate and business planning, taxation and estate and trust administration for high net worth individuals, executives and business owners. She provides guidance primarily in the areas of estate and gift tax planning, business succession planning, charitable planning, general tax and corporate planning and estate and trust administration. Jordan is a frequent speaker at estate planning and tax seminars around the country.