

## Making Gifts Go Further

Successful entrepreneurs who want to make the most of their charitable donations have many options

by [Karen E. Klein](#)

**My wife and I own a successful small firm and want to give back to society, but we became frustrated that the money we contributed to charities was siphoned off to pay fundraising expenses, salaries, and administrative costs. We took the bull by the horns and created an IRS-approved 501(c)3 charity from which we take no salary and pay all administration and expenses. Is this a strategy more entrepreneurs could employ? How can we get government or corporate donors to help grow our foundation? —A.K., Dana Point, Calif.**

Congratulations on your philanthropy and innovation! Successful entrepreneurs who have proven their effectiveness in the business world can do great things by applying their time, talent, and money toward making the world a better place.

To answer your last question first: Assuming you have established a "private foundation," you cannot apply for government grants, says Frank Simon, president of P.R.O.F.I.T. Financial, a wealth management firm based in Findlay, Ohio, that specializes in charitable organizations. Also, "soliciting and receiving other donations may jeopardize your foundation's tax status," he says. All the IRS rules related to charitable organizations are laid out in an easy-to-follow manner at the IRS's Web site. Click on "[Tax Information for Private Foundations](#)" for specific information.

If you were to create a public charity, you could get a 50% gift deduction and you could solicit donations and allow dollars to accumulate. However, as Simon points out, "Growing a foundation through government support and corporate donations will require grant-writing capability and marketing. Most likely, these activities will generate additional expenses, and not everyone will want or be able to absorb the extra costs."

### PHILANTHROPY ALTERNATIVES

There is no reason that other entrepreneurs cannot follow your lead. However, there are drawbacks to private foundations and there are other ways that successful entrepreneurs can give back to society. For instance, with a private foundation, only 30% of your gifts can be deducted and you will have to make minimum distributions from the foundation annually, rather than allowing money to accumulate for larger projects. "Creating a charity can be a viable answer for some," says Simon, but "this requires starting a business. Many questions arise in determining the nature of a charity, but a clear understanding of the mission and vision is essential, along with a passion for one's cause."

For business owners and others interested in supporting good causes, but not ready to start their own foundations, there is excellent information available on various nonprofit groups at Web sites such as [Give.org](#) and [Guidestar.org](#), as well as from [IRS Publication 78](#). Another site, [CharityNavigator.org](#), ranks more than 500 large public charities by their organizational efficiency and capacity, listing their program, administrative, and fundraising expenses.

Another idea is to work closely with a community foundation or to create a structured gift that gives you control over how your contribution will be used. Simon frequently recommends that his

clients create a Charitable Lead Annuity Trust (CLAT) in conjunction with an Irrevocable Life Insurance Trust (ILIT). "This offers a way to help a charity with both current needs and long-term funding, and in addition the donor reduces their current taxes," Simon points out. "If appreciated property is gifted, it reduces future taxes, which provides a win-win for the donor and the charity, as well as benefiting the donor's heirs." Good luck with your good works!

*Karen E. Klein is a Los Angeles-based writer who covers entrepreneurship and small-business issues.*